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Democracy Dies in Darkness

DEVELOPER SENTENCED IN FRAUD CASE

SCANDAL LED TO TEXAS'S LARGEST S&L FAILURE



By Associated Press

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MIDLAND, TEXAS -- A flamboyant real estate developer was sentenced this week to 20 years in prison for his leading role in Texas' largest thrift fraud scandal.

U.S. Judge Lucius Bunton also ordered D.L. "Danny" Faulkner to forfeit \$40 million he gained illegally, pay a \$215,000 fine and spend five years on probation.

Faulkner and three associates were convicted in November of conspiring to steal \$165 million from five Texas thrifts.

Bunton sentenced James Toler, a developer and former mayor of Garland, to 20 years in prison, and ordered him to forfeit \$38 million, pay a \$220,000 fine and serve five years' probation.

Former Empire chairman Spencer Blain was sentenced to 20 years in prison, ordered to forfeit \$22 million and serve five years on probation. Appraiser Arthur Formann received a 10-year prison sentence and five years on probation.

Faulkner and the others were the chief defendants in the "I-30 condominium scandal," the largest thrift fraud case to be tried in Texas and one of the largest in the nation.

The fraud led to the \$284 million failure of Empire Savings and Loan Association of Mesquite in 1984, the first thrift to fail in Texas, and was a harbinger of the coming crisis in banks and savings and loans.

A jury convicted Faulkner on 42 of 45 fraud and conspiracy counts. Toler was convicted on 41 of 46 counts; Blain, 34 of 35 counts; and Formann 21 of 22 counts.

All four said they will appeal.

After returning the verdict, the jury ordered the defendants to return their profits from the condo deals. Bunton concurred with that decision in his sentencing.

Faulkner faced a maximum of 201 years in prison and \$250,000 in fines. Toler faced 196 years in prison and a \$250,000 fine while Blain faced 188 years in prison and a \$208,000 fine. Formann's maximum penalty was 54 years in prison and \$102,000 in fines.

The convictions came nearly two years after the men were first tried. A jury in Lubbock listened to nearly seven months of testimony in 1989 and deliberated for more than two weeks but could not reach a verdict.

Faulkner, a grade school dropout, overcame illiteracy to build a real estate empire and surround himself with luxuries, including a jet and a \$150,000 Rolls Royce.

In doing so, prosecutors said, Faulkner and Toler arranged illegally inflated appraisals for hundreds of condos along Interstate 30 east of Dallas, and then paid off bankers like Blain to give them massive construction loans that were simply pocketed.

The defendants said they were victims of Texas' economic collapse in the mid-1980s and of the government's star witness, vagabond land developer Clifford Sinclair.

Sinclair worked closely with Faulkner and Toler on a number of condo deals. He pleaded guilty to four charges of conspiring to falsify financial statements and agreed to testify for the government in exchange for a lesser sentence.